

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT
NASHVILLE, TENNESSEE**

MAY 18, 2000

IN RE:)	
)	
APPLICATION OF APPALACHIAN)	DOCKET NO. 99-00835
POWER COMPANY FOR APPROVAL)	
TO ISSUE PROMISSORY NOTES IN THE)	
AGGREGATE AMOUNT OF UP TO)	
\$400,000,000)	

ORDER APPROVING DEBT ISSUANCE

This matter came before the Tennessee Regulatory Authority (“Authority”) upon the Application (“Application”) of Appalachian Power Company (the “Company” or “Appalachian Power”) to issue and sell secured or unsecured promissory notes in the aggregate principal amount of up to \$400,000,000. The Directors of the Authority considered the Company’s Application at a regularly scheduled Authority Conference held on May 9, 2000. Upon consideration of the Application and the record in this matter, the Directors made the following findings of fact and conclusions of law:

1. Appalachian Power is a corporation duly organized and existing under the laws of the Commonwealth of Virginia, having its principal office in the city of Roanoke, Virginia, and is qualified to transact business in the State of Tennessee.
2. Appalachian Power is in the business of supplying electric power to ratepayers in Tennessee and is therefore subject to regulation and supervision by the Authority pursuant to Tenn. Code Ann. § 65-4-101, *et seq.*

3. On November 1, 1999, Appalachian Power filed with the Authority, pursuant to Tenn. Code Ann. § 65-4-109, its Application seeking approval of an issuance of up to \$400,000,000 of its long-term secured or unsecured promissory notes from time to time through December 31, 2000. The notes may be issued in the form of first mortgage bonds, senior or subordinated debentures, including junior subordinated debentures, or other unsecured promissory notes. The notes will mature in not less than one (1) year and not more than fifty (50) years. The interest rate of the notes may be fixed or variable. According to the Application, the purpose of the issuance is to redeem Appalachian Power's long-term debt, to refund preferred stock, to repay short-term debt, to reimburse Appalachian Power for expenditures incurred in connection with its construction program, and for other corporate purposes.

4. The first mortgage bonds will be issued under and secured by the mortgage deed of trust, dated December 1, 1940, made by Appalachian Power to Bankers Trust Company and R. Gregory Page as trustees, as previously supplemented and amended, and as further supplemented and amended by one or more supplemental indentures, substantially similar to the form of the most recent supplemental indenture for first mortgage bonds attached as Exhibit A to the Company's Application. The junior subordinated debentures will be issued under an indenture dated September 1, 1996, as previously supplemented and amended, and as further supplemented and amended by one or more supplemental indentures, substantially similar to the form of the most recent supplemental indenture for junior subordinated debentures attached as Exhibit B to the Company's Application. The unsecured notes other than junior subordinated debentures will be issued under an indenture dated January 1, 1998, as previously supplemented and amended, and as further supplemented and amended by one or more supplemental indentures or Company orders, substantially similar to the form of the indenture and most recent Company order attached as Exhibit C to the Company's Application.

5. Appalachian Power may also enter into, from time to time through December 31, 2000, one or more interest rate hedging agreements, including but not limited to a treasury lock agreement, treasury put option, or interest rate collar agreement, to protect against future interest rate movements in connection with the issuance of the notes. Each such agreement will correspond to one or more notes that the Company will issue pursuant to this Application. The aggregate principal amounts of all treasury hedge agreements, therefore, cannot exceed \$400,000,000. The terms of any such agreement may not exceed ninety (90) days.

6. Under Tenn. Code Ann. § 65-4-109, the Authority is directed to approve the proposed issuance if it finds that it is to be made in accordance with law and that the Authority approves the purpose of the issuance.

7. The Authority concluded after careful consideration of the entire record and all applicable rules and statutes, particularly the provisions of Tenn. Code Ann. § 65-4-109, that this Application should be approved. The Authority finds that this issuance is in accordance with law and is for a proper purpose.

IT IS THEREFORE ORDERED THAT:

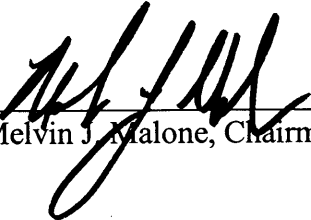
1. Appalachian Power Company is authorized to issue promissory notes in an amount not to exceed \$400,000,000 from time to time through December 31, 2000.

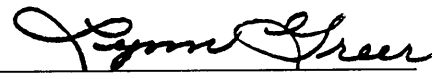
2. The terms of said notes shall be as described in the Application on file with the Authority.

3. The authorization and approval given hereby should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of any promissory notes issued by Appalachian Power Company. Nothing contained herein creates or is intended to create any liability on the

part of the Tennessee Regulatory Authority or the State of Tennessee or any political subdivision thereof for the transaction approved herein.

4. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.



Melvin J. Malone, Chairman

H. Lynn Greer, Jr., Director

Sara Kyle, Director

ATTEST:



K. David Waddell, Executive Secretary